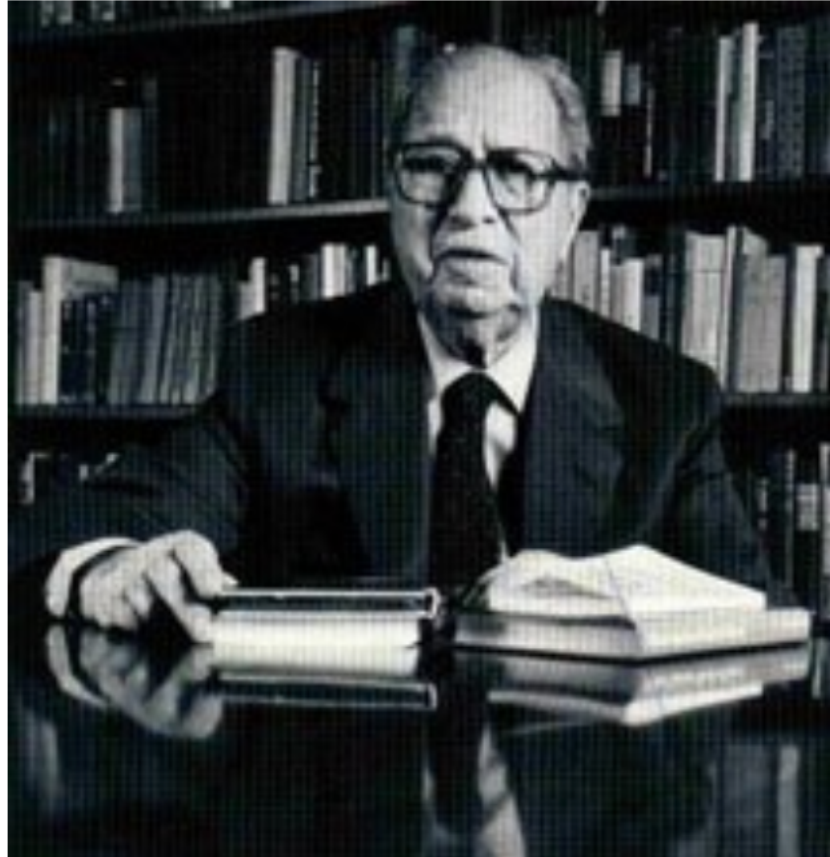


# THE GREAT IDEAS ONLINE

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## QUESTIONS ABOUT ECONOMIC INSTITUTIONS

**Mortimer Adler**

PART 2 OF 2

### **COMMUNISTIC AND DEMOCRATIC SOCIALISM**

*Dear Dr. Adler,*

*I am often confused by the indiscriminate use of the terms “communism” and “socialism.” They are often used as if they meant the*

*same thing. But there seems to be a significant difference between democratic socialism in the countries of Western Europe and Marxian communism in the Soviet bloc. The democratic socialists apparently share the same humanistic and political values that we do, while espousing a different kind of economic system. Does this mean that there are two types of socialism—communistic and democratic? Or is only one of these political movements truly “socialistic”?*

V. F.

Dear V. F.,

Advocates of socialism differ widely as to what socialism consists of, how it is to be achieved, and, once established, how it is to be administered politically.

On all three counts, the position taken by Marx and Engels in the Communist Manifesto and other writings remains the orthodox socialist doctrine. Let us briefly consider the main tenets of orthodox socialism before examining the deviations from it.

On the economic side, the Marxists hold that socialism consists in the public or state ownership of all the means of production. In their view, the private ownership of the means of production leads to the exploitation of the laboring classes. They regard the profit made by the private owners of capital as an “unearned increment,” which amounts to calling it theft. With all capital owned by the state, there can be no private profit in the socialist economy—no “property-derived income.” All personal income takes the form of wages paid for labor done or for services rendered to the state.

On the political side, the Communist Manifesto recommends a series of measures to make progressive inroads on private property. These, say the Marxists, can be accomplished peacefully through democratic legislative action. However, in their view, the complete socialist revolution can be achieved only by a violent and forceful overthrow of the capitalist economy. When that is accomplished, as it was in Russia in 1917, the socialist state comes into existence.

By the “socialist state,” the Marxists understand a totalitarian state and a dictatorial form of government, which they refer to as “the dictatorship of the proletariat.” They do not regard this as the ideal form of communism. That belongs to the future, when the state will have withered away and men will live together peacefully, without oppressive government of any kind.

A major deviation from orthodox Marxism, on the political side, is democratic socialism. American and English socialists, such as Norman Thomas and John Strachey, believe that socialism can be achieved entirely by peaceful means. In their view, much of it has already been achieved by the welfare measures enacted in England and the United States during the last fifty years. They also believe that a complete socialist economy is quite compatible with political democracy and need not be accompanied by totalitarianism or dictatorship. Hence, they see no need for the withering away of the state, since democratic socialism will provide men with ample freedom.

A second major deviation has been proposed recently by most of the socialist parties in Western Europe. They have redefined the basic economic tenets of socialism. Instead of calling for the abolition of private ownership and of private profit, they would permit these things to exist alongside a publicly owned and managed sector of the economy. According to this point of view, the present mixed economy of the welfare state—partly private and partly public—is democratic socialism. It achieves the end of socialism—the general economic welfare—through a combination of socialist and capitalist means.

I am opposed to both orthodox Marxist socialism and the theories of democratic socialism. I hold that the general economic welfare is best attained through a capitalist economy, using the system of private ownership and profit. Given certain restraints to prevent the concentration of wealth and power in a few hands, capitalism is the system best fitted to provide economic abundance while at the same time guaranteeing justice and freedom for all.

### THE WELFARE STATE

*Dear Dr. Adler,*

*Conservative and rightist orators and writers are constantly decrying what they call “the welfare state.” This is supposed to say something derogatory about the way our country is run nowadays. But what is so derogatory about “welfare”? Isn’t the public welfare supposed to be the end of every well-run state? Do these critics propose an “illfare state” as the alternative? Or is it that they object to the way in which the public welfare is being pursued?*

J. A

Dear J. A.,

The Preamble of our Constitution lists the promotion of “the general welfare” as one of the main objectives of our government. But, as the Federalist Papers and other commentaries on the Constitution indicate, our Founding Fathers did not conceive the general welfare in economic terms, nor did they think that government should attempt to see that all men are economically well off.

It is only in our century that it has become an almost indisputable principle of public policy, that the state should do everything it can to provide for the economic well-being of its people. In a sense, this principle was anticipated in the Declaration of Independence, which proclaims that all men have a natural right to “life, liberty, and the pursuit of happiness,” and that governments are instituted “to secure these rights.” Since economic goods are necessary for the pursuit of happiness, as well as for life and liberty, a government must promote the economic welfare of all its people in order to secure their basic rights. Governments which try to do this create what have been called in our day “welfare states.”

Broadly speaking, there are two ways in which economic welfare for all can be promoted in a society: (1) through the widest possible diffusion of the ownership of income-producing property; (2) through the widest possible diffusion of the economic equivalents of income-producing property. These “equivalents” include wages, pensions, insurance of all sorts, medical care, educational opportunities, recreational facilities and, above all, ample free time for leisure activities.

To promote the general economic welfare in the first way is the capitalist ideal. The second way, however, prevails in the affluent and technologically advanced industrial countries of the world today—all of which are “welfare states,” as Gunnar Myrdal, the Swedish economist and sociologist has pointed out in his recent book, *Beyond the Welfare State*.

In the Soviet Union, which is rapidly becoming affluent, the economic welfare of the people is secured by the state’s distribution of the wealth it controls through its ownership and management of all the means of production. In the United States, England and other democratic countries, which have mixed economies, it is secured through the state’s regulation of the economy in such a way that economic goods are widely diffused.

In both the completely socialist and the mixed economies, the people have increasingly acquired the economic equivalents of income-producing property. But they have not attained—and perhaps never can attain in such economies—the personal independence that is one of the chief boons of private property. In these economies, the wage-earner is guaranteed a decent supply of economic goods, but he is utterly dependent on the state, unions or corporations for these benefits.

Furthermore, in the communist welfare states, the ordinary individual is deprived of any effective voice in his own government. He may enjoy economic well-being, but he is deprived of political liberty. Only through the capitalist ideal of widely diffused ownership of income-producing property, can the blessings of liberty be combined with the enjoyment of economic welfare—for all. While both the socialist and the capitalist economies may be called “welfare states,” in the sense that they are both concerned with promoting the general economic welfare, only capitalism enables a welfare state to preserve democratic institutions.

### **AUTOMATION—BOON OR BANE?**

*Dear Dr. Adler,*

*At a time of high productivity, when our economy is turning out far more goods than ever before, we hear from our Bureau of Labor Statistics that “disemployment by automation” is removing 200,000 jobs per year from our manufacturing industries. Is this so-called “disemployment” something temporary that will be compensated for by increased productivity and new kinds of jobs, so that automation will ultimately raise, rather than lower, the number of jobs? Or does “disemployment by automation” mean a permanent decrease in employment in an increasingly productive economy? If so, what will the “disemployed” do then?*

K. F.

Dear K. F.,

The philosopher Aristotle noted twenty-five centuries ago that human labor would become unnecessary if there were fully automatic instruments of production. “If every tool could perform its own work when ordered, or by seeing what to do in advance . . . if the shuttle wove and the plectrum played the lyre without a hand to guide them, chief workmen would not want servants and master slaves.” This state of perfect automation is now a real possibility

and even an actuality in some plants. However, the prospect of push-button production which once appeared so desirable, is rather frightening to us today.

The reason for this sense of foreboding is the painful problem of what to do with the human beings who will be “disemployed” by the automation of production. Similar problems have come up recurrently ever since the Industrial Revolution began in the middle of the eighteenth century. The new inventions in the textile industry and the introduction of steam power initiated the revolutionary changes in man’s way of life, which made possible our present urbanized, industrialized, highly productive and intensely populous civilization. However, the handicraftsmen, who were put out of work by the new inventions, felt no joy at the prospect of this brave new world. They retaliated by trying to burn and wreck the machines and do violence to their inventors.

As we were all taught in school, this was a short-sighted reaction, for “ultimately” many times more new jobs were created by the introduction of machine production than were taken away from the hand-workers. Somewhat the same process has taken place during the subsequent advances in industrial technology in the nineteenth and twentieth centuries. The number of workers displaced by the new methods was more than balanced “in the long run” by the number of workers employed in new jobs in a growing economy and in various “service” occupations created by the new inventions.

None of these advances, however, did away with the need for human attention to insure that the machines performed their allotted tasks properly. Indeed, operators were so essential for the new machines that the term “operator” or “operative” became synonymous with “worker.” Human beings had become machine-tenders instead of hand-workers.

Automation, on the other hand, does away with the need for machine-tenders since it controls and corrects machine processes through electronic computers. The only essential human operation in a fully automatic plant is the brain work of the specialists who service the computer controls and feed them their information and directives.

If the present trend to automation continues, it is difficult to see where the jobs will come from to replace the jobs that have been permanently abolished. Increased productivity will be accomplished with less labor. Automation in clerical and service jobs will

make it less possible to shift “disemployed” workers to other occupations. The numerals and perforations on our checkbooks and payment notices indicate how human hand and brain are being increasingly displaced from key clerical tasks.

Assuming permanent “disemployment,” how are the increasing horde of non-workers to keep on being consumers? Carl F. Stover recently suggested that an increasingly jobless society may need a new system of distribution, such as giving to everyone a certain number of green stamps per month with which to purchase what they need. Another suggestion is to shorten the work-week and divide the remaining man-hours of labor among the available working-force. This assumes however, that quite a bit of work will remain to be done by human hands and that the economy will be only partially automated.

### THE RIGHT USE OF MONEY

*Dear Dr. Adler,*

*Money is decried in all kinds of sayings that have come down to us. “The love of money is the root of all evil,” the Bible tells us. “You can’t buy happiness with money,” is a more modern way of putting it. But though we nod and tend to agree from habit with such “wisdom,” isn’t this a lot of sentimental guff? Isn’t money a necessary element of happiness for any normal life in the everyday world? All the great thinkers have not rejected money and material wealth as evil, have they?*

D. R.

Dear D. R.,

Early in our tradition, Aristotle made the fundamental distinction between “natural” and “artificial” wealth. Natural wealth, in his view, includes consumable goods—food, clothing, housing, etc.—and the means of producing them. Money, in contrast, is artificial wealth. Its utility is merely instrumental—as a means of exchange and as a measure of value of real wealth. Our estimation of “real” wages in terms of purchasing power is a present day application of this basic distinction.

Aristotle also stressed the notion of limited material needs. The proper aim of economic activity, he said, is to attain enough real wealth to take care of the material needs of the family or state. Such needs are limited and can be fulfilled by a limited amount of

wealth. The pursuit of wealth merely for the sake of possessing wealth, on the other hand, has no limits. It usually takes the form of accumulating a lot of money, which is more convenient to accumulate than real wealth.

The basic economic distinction between natural and artificial wealth involves certain ethical principles. It assumes that a means derives its value from the end it serves. Money is useful as a means of exchange or measure of value, and material wealth is useful as a means to the good life, since it serves to maintain life itself. Hence, the pursuit of wealth for its own sake, which amounts to the chase after money, disorders the individual and the community since it takes the means for the end.

Our traditional moral philosophy inveighs against the pursuit of money as a basic cause of evil in human society. Some writers, however, have espoused the opposite position. Christopher Columbus, for instance, said: "Gold is a wonderful thing. Whoever possesses it is the lord of all he wants. By means of gold one can even get souls into Paradise." And Dr. Johnson insisted that "he who is rich in a civilized society must be happier than he who is poor," and that it is luxury which is good and poverty which is evil.

The criterion of economic welfare and progress nowadays seems to be the "gross national product" and not merely gross income in capital earnings and wages. This is reminiscent of Adam Smith's idea that a nation's wealth consists in "the whole annual produce of its land and labor," an amount which may increase, decrease or stay the same from year to year. The idea of a gross national product is usually accompanied by the judgment that it is good for the national welfare for the gross product to increase.

The basic assumption here seems to be "the more, the better." The expansion of gross national product is apparently viewed as a good in itself, which is to be pursued indefinitely, without limit. It is production and consumption that are emphasized now, and not accumulation of money. But we are still faced with the ethical question of whether it is right to take material wealth as an end in itself and the main sign of well-being.

## **THE JUSTIFICATION OF FOREIGN AID EXPENDITURES**

*Dear Dr. Adler,*



*Ever since World War II we have been deluged with programs to aid in the rehabilitation or development of foreign countries. Many of these programs involve direct grants rather than loans which will be repaid some day. Are there any sound economic reasons why we should engage in such unusual acts of charity? Or is there some transcendent moral ground which supersedes economic considerations and compels us to do this, even when it goes counter to our own material interests?*

C. P.

Dear C. P.,

The great writings of the past provide us with no specific directives for granting aid to foreign nations out of unselfish motives. Nevertheless, this kind of foreign aid is based on the ancient precepts of our religious tradition enjoining mutual aid and sharing among individuals. According to the Old Testament code, the poor man, by right—and not simply by “charity” in the modern patronizing sense—may pick enough food for his family’s needs from the rich man’s fields. Justice requires this of the rich man, who possesses all he has from God and is bound to share it with his less fortunate brothers.

This code, however, applied only to individuals living in the same community. Then, as later, the relations between nations consisted of trade, alliances and armed conflict. When the great modern states arose, funds were often handed out to other nations, but always for hard strategic or economic considerations, not out of brotherly love. While the ancient code enjoined the forgiveness of debts among individuals in each sabbatical year of “jubilee,” the standard attitude among nations was best summed up by Calvin Coolidge, who remarked about the repayment of the debts owed to us by our World War I allies, “They hired the money, didn’t they?”


Modern advocates of the policy of each for himself and the devil take the hindmost, among individuals and among nations, sometime appeal to the ideas of Adam Smith or Charles Darwin for justification. Smith believed that the pursuit of individual self-interest in a free market would ultimately work for the welfare of the whole community. However, he also saw that the nations were involved in a worldwide economy, in which the actions and reactions of individuals affect the wealth of nations.

Similarly, Darwin stressed the struggle for existence and the survival of the fittest as explaining the origin and development of bio-

logical species. However, he also emphasized the elements of mutual aid and sympathy as vital for the survival of animal and human groups, as well as the mutual co-operation involved among those species which survive in an environment. The “social Darwinists” neglected these factors when they applied Darwin’s theory to the economic relations between men.

Since World War II, the United States has granted foreign aid both to bolster its strategic position in the Cold War and also to provide economic assistance and relief where needed, apart from strategic considerations. The Marshall Plan was a program to aid economic recovery in Europe, and could in principle have been extended to any European country that needed it and applied for it. It is “the Marshall spirit” that the British liberal economist Barbara Ward asks the free world to return to in her new book *The Rich Nations and the Poor Nations*.

Miss Ward believes that to be rich and at the same time indifferent to the desires and aspirations of the poor, leads to a deadening of the heart and a blindness of spirit—among nations as well as among individuals. She also holds that if the rich nations aid the poor nations to share in the more abundant life, they will not only be doing the morally right thing but they will also be advancing their own well-being—for the nations, too, are members of one another. She calls on the West to build a world family of nations, based on the principles of political and economic freedom, to counter the Communist vision of world brotherhood.

That capitalism and brotherhood may go together is indicated by the case of Eugene Black, a conservative investment banker from Atlanta, Georgia, who has been one of the key figures in developing and implementing an international social conscience through his position as President of the World Bank. James Reston of *The New York Times* recently noted that Black long ago recognized that “extreme differences of wealth and poverty were intolerable among nations,” and that the rich nations had to assume the responsibility for “exporting the industrial revolution” to the underdeveloped countries. Thus, the social conscience awakened by the ancient prophets has coalesced with the instruments of international banking in a way that the 19th century opponents of capitalism could never have foreseen. 

*We welcome your comments, questions, or suggestions.*

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